



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF NEW VIENNA
CLINTON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of New Vienna
Clinton County
323 West Main Street
New Vienna, Ohio 45159

To the Village Council:

We have audited the accompanying financial statements of the Village of New Vienna, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following two paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

The Village's legal counsel has not responded to the letter of audit inquiry required by AICPA Statements on Auditing Standards No. 12 concerning any pending or threatened litigation, contractually assumed obligations, and unasserted claims and assessments against the Village of New Vienna.

The Village did not provide sufficient documentation supporting the Charges for Services receipts as recorded in the Enterprise Fund for 2001 and 2000, and the Mayor's Court receipts as recorded in the Agency Fund during 2001. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded for the Enterprise Fund and the Agency Fund, or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. Charges for Services receipts represent 62% of the Enterprise Fund Type receipts and Mayor's Court receipts represent 100% of receipts recorded in the Agency Fund.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the Village's Enterprise Funds and the Agency Fund, on which we express no opinion, and except for the effects of such adjustments or additional disclosures, if any, as might have been determined to be necessary had we been able to examine evidence related to pending litigation, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 18, 2002

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$39,326	\$44,860	\$84,186
Intergovernmental Receipts	42,932	72,301	115,233
Fines, Licenses, and Permits	16,085	0	16,085
Earnings on Investments	8,980	2,516	11,496
Miscellaneous	9,931	2,661	12,592
	<u>117,254</u>	<u>122,338</u>	<u>239,592</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	5,596	78,160	83,756
Basic Utility Services	3,021	0	3,021
Transportation	0	43,137	43,137
General Government	79,074	0	79,074
Debt Service			
Principal Payment	5,294	0	5,294
Interest Payment	1,426	0	1,426
Capital Outlay	0	4,209	4,209
	<u>94,411</u>	<u>125,506</u>	<u>219,917</u>
Total Receipts Over/(Under) Disbursements	<u>22,843</u>	<u>(3,168)</u>	<u>19,675</u>
Fund Cash Balances January 1	<u>37,773</u>	<u>72,879</u>	<u>110,652</u>
Fund Cash Balances, December 31	<u>\$60,616</u>	<u>\$69,711</u>	<u>\$130,327</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$2,135</u>	<u>\$0</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$346,718	\$0	\$346,718
Miscellaneous	15,241	0	15,241
Total Operating Cash Receipts	<u>361,959</u>	<u>0</u>	<u>361,959</u>
Operating Cash Disbursements:			
Personal Services	28,873	0	28,873
Fringe Benefits	5,183	0	5,183
Contractual Services	208,508	0	208,508
Supplies and Materials	43,363	0	43,363
Capital Outlay	89,785	0	89,785
Miscellaneous	19,709	0	19,709
Total Operating Cash Disbursements	<u>395,421</u>	<u>0</u>	<u>395,421</u>
Operating Income/(Loss)	<u>(33,462)</u>	<u>0</u>	<u>(33,462)</u>
Non-Operating Cash Receipts:			
Court Collections	0	4,353	4,353
Proceeds from Notes and Bonds	148,103	0	148,103
Total Non-Operating Cash Receipts	<u>148,103</u>	<u>4,353</u>	<u>152,456</u>
Non-Operating Cash Disbursements:			
Court Distributions	0	4,472	4,472
Debt Service:			
Principal Payments	35,076	0	35,076
Interest Payments	55,563	0	55,563
Total Non-Operating Cash Disbursements	<u>90,639</u>	<u>4,472</u>	<u>95,111</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	24,002	(119)	23,883
Transfers-In	60,982	0	60,982
Transfers-Out	<u>(60,982)</u>	<u>0</u>	<u>(60,982)</u>
Net Receipts Over/(Under) Disbursements	24,002	(119)	23,883
Fund Cash Balances, January 1	<u>236,940</u>	<u>4,472</u>	<u>241,412</u>
Fund Cash Balances, December 31	<u>\$260,942</u>	<u>\$4,353</u>	<u>\$265,295</u>
Reserve for Encumbrances, December 31	<u>\$1,463</u>	<u>\$0</u>	<u>\$0</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$37,050	\$42,299	\$79,349
Intergovernmental Receipts	38,513	54,848	93,361
Fines, Licenses, and Permits	9,765	0	9,765
Earnings on Investments	16,947	5,736	22,683
Miscellaneous	7,697	377	8,074
 Total Cash Receipts	 109,972	 103,260	 213,232
Cash Disbursements:			
Current:			
Security of Persons and Property	10,000	72,335	82,335
Public Health Services	119	0	119
Basic Utility Services	7,164	0	7,164
Transportation	0	24,067	24,067
General Government	80,549	0	80,549
Capital Outlay	23,457	0	23,457
 Total Disbursements	 121,289	 96,402	 217,691
 Total Receipts Over/(Under) Disbursements	 (11,317)	 6,858	 (4,459)
Other Financing Receipts/(Disbursements):			
Other Financing Sources	305	4,126	4,431
Sale of Notes	23,457	0	23,457
Transfers-In	0	50,000	50,000
Transfers-Out	(169,429)	0	(169,429)
 Total Other Financing Receipts/(Disbursements)	 (145,667)	 54,126	 (91,541)
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 (156,984)	 60,984	 (96,000)
 Fund Cash Balances January 1	 194,757	 11,895	 206,652
 Fund Cash Balances, December 31	 \$37,773	 \$72,879	 \$110,652
 Reserves for Encumbrances, December 31	 \$560	 \$264	 \$0

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$314,409	\$0	\$314,409
Total Operating Cash Receipts	<u>314,409</u>	<u>0</u>	<u>314,409</u>
Operating Cash Disbursements:			
Personal Services	38,350	0	38,350
Fringe Benefits	7,986	0	7,986
Contractual Services	71,803	0	71,803
Supplies and Materials	39,213	0	39,213
Capital Outlay	140,995	0	140,995
Miscellaneous	1,518	0	1,518
Total Operating Cash Disbursements	<u>299,865</u>	<u>0</u>	<u>299,865</u>
Operating Income/(Loss)	<u>14,544</u>	<u>0</u>	<u>14,544</u>
Non-Operating Cash Disbursements:			
Debt Service			
Principal Payments	38,721	0	38,721
Interest Payments	51,312	0	51,312
Total Non-Operating Cash Disbursements	<u>90,033</u>	<u>0</u>	<u>90,033</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(75,489)	0	(75,489)
Transfers-In	189,792	0	189,792
Transfers-Out	(70,363)	0	(70,363)
Net Receipts Over/(Under) Disbursements	43,940	0	43,940
Fund Cash Balances, January 1	<u>193,000</u>	<u>4,472</u>	<u>197,472</u>
Fund Cash Balances, December 31	<u>\$236,940</u>	<u>\$4,472</u>	<u>\$241,412</u>
Reserve for Encumbrances, December 31	<u>\$1,338</u>	<u>\$0</u>	<u>\$0</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Vienna, Clinton County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides governmental services, including water and sewer utilities, and refuse collection services. The Village operates a police department to provide security of persons and property.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

Village funds are deposited in a checking account and CD's at a local commercial bank. Interest income is distributed to Village funds based upon the Ohio Constitution. Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Police Levy fund - This fund receives tax money to provide security of persons and property.

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Enterprise Debt Service Fund - This fund receives a portion of charges for services from the residents to repay the debt issued with the construction of the water tower. See Note 5.

Enterprise Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant upgrade.

4. Fiduciary Funds (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court Agency Fund - The Village acts in an agency capacity and accounts for fines collected by the Mayor's Court and distributed to the Village and State agencies.

E. Budgetary Process

The Ohio Revised Code requires that each fund, except certain agency funds, be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND DEPOSITS

The Village maintains a pool of deposits used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and deposits at December 31 was as follows:

	2001	2000
Demand deposits	\$ 348,675	\$ 352,064
Certificates of deposit	46,947	0
Total deposits	\$395,622	\$352,064

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$109,524	\$117,254	\$7,730
Special Revenue	85,624	122,338	36,714
Enterprise	360,333	571,044	210,711
Total	\$555,481	\$810,636	\$255,155

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$147,389	\$94,411	\$52,978
Special Revenue	159,492	127,641	31,851
Enterprise	598,608	548,505	50,103
Total	<u>\$905,489</u>	<u>\$770,557</u>	<u>\$134,932</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$93,000	\$133,734	\$40,734
Special Revenue	86,500	157,386	70,886
Enterprise	354,762	504,201	149,439
Total	<u>\$534,262</u>	<u>\$795,321</u>	<u>\$261,059</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$287,797	\$291,278	(\$3,481)
Special Revenue	146,577	96,666	49,911
Enterprise	789,056	461,599	327,457
Total	<u>\$1,223,430</u>	<u>\$849,543</u>	<u>\$373,887</u>

During 2000, appropriations exceeded estimated resources in the Police Levy Fund, Water Fund, Sewer Fund, Water Improvement Fund, and the Enterprise Debt Service Fund, contrary to Ohio law.

The Village did not obtain prior certification of the availability of funds from the fiscal officer for all commitments.

The Village did not pass and file an annual appropriation measure until August 1, 2000, as required by Ohio law.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Sewer Improvement Loan	\$247,280	2.00%
First Mortgage Water Revenue Loan	327,000	5.00%
First Mortgage Sewer Revenue Loan	553,000	5.00%
Emergency Village Capital Improvement Special Account Loan	20,000	0.00%
Crown Victoria Note	18,163	6.75%
Backhoe Note	46,402	5.80%
Ohio Water Development Authority Sewer Planning and Design Loan	187,600	5.65%
Ohio Water Development Authority Sewer Construction Loan	196,685	5.74%
Ohio Water Development Authority Water Planning and Design Loan	75,000	5.65%
Total	\$1,671,130	

First Mortgage Water Revenue Loan

This loan was initiated in October 1984 with a loan of \$416,000 at 5% interest from Farmer's Home Administration (FmHA). This was a forty (40) year loan to be paid in annual payments of principal and interest. The loan agreement requires that a reserve fund be established equal to one (1) annual payment. This reserve fund was to be funded at the rate of 1/10th of an annual payment per year for 10 years. The Village has not established this reserve fund, in violation of the loan agreement. Repayment of this debt was made through the Enterprise Water Debt Service Fund in annual payments of principal and interest. Final payment will be in the year 2024 if no early payments are made.

First Mortgage Sewer System Revenue Loan:

This loan was initiated in October 1988 in the amount of \$638,000 at 5% interest for a term of forty (40) years. The loan was acquired for the purpose of constructing the wastewater treatment plan and sewer lines throughout the Village. Repayment of this debt was made through the Enterprise Sewer Debt Service Fund in annual payments of principal and interest. A reserve fund was to be established equal to one (1) annual payment. The Sewer Repair Fund was designated as the reserve fund and several repairs and capital expenditures have been made from this fund. Final payment will be in the year 2028 if no early payments are made.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

Ohio Water Development Authority Sewer Improvement Loan:

This loan was in addition to the loan with FmHa for sewer construction. This loan was established in June 1987 with interest payments due the first two (2) years and principal and interest payments for the next thirty eight (38) years. The loan was initiated in the amount of \$456,505 at 2% interest with semi-annual payments (January 1st and July 1st). Loan repayments were made through the Enterprise Sewer Debt Service Fund.

EVCISA (Emergency Village Capital Improvement Special Account) Loan:

This loan was awarded by the Ohio Environmental Protection Agency for direct engineering costs of the sewer construction project. This project started in August 1993 with the advancement of \$50,000. This loan is to be repaid at 0% interest over ten (10) years with the first payment made in 1995. The loan payment was paid through the Enterprise Sewer Operating Fund in 2000. The 2001 EVCISA payment was made not made until 2002.

2000 Crown Victoria Note:

During December 2000, the Village signed a note for \$23,457 with National Bank and Trust to finance the purchase of a 2000 Crown Victoria automobile to be used for the Village's police department. The loan is to be repaid at 6.75% interest over four (4) years with final loan payment in December, 2004. Monthly payments of \$560 are being made from the General Fund. The note is secured by the 2000 Crown Victoria.

2001 Backhoe Note

In September 2001, a note was issued for \$46,402 from the National Bank and Trust at an interest rate of 5.8%. The loan is to be repaid by bi-annual payments in March and September with final payment in September, 2006. The purpose of this note was to finance the purchase of a backhoe to be used for street, water and sewer maintenance. This note is collateralized by a Certificate of Deposit of \$46,947 held by the Village.

Ohio Water Development Authority Sewer Construction Loan:

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project. The loan was approved up to \$196,685 at 5.74% interest for a term of thirty (30) years. The Village received \$43,029 of the loan amount during 2001. The loan was acquired for the purpose of construction and rehabilitation of three pump stations. The loan is to be repaid in equal payments over the thirty year repayment term commencing January 1, 2003. The loan is to be repaid through the Enterprise Sewer Debt Service Fund with "revenues from all sewer facilities" promised as repayment for the project.

Ohio Water Development Authority Water Planning and Design Loan:

The Village received a loan from the Ohio Water Development Authority (OWDA) to be used to assist in the costs of completing the water and wastewater planing and design. This loan was approved on June 28, 2001 up to the amount of \$75,000 at 5.65% interest. The loan is set up to be a one-time balloon payment with the loan amount and interest due and payable on July 1, 2006. However, it is mandatory that the planning loan be repaid as soon as the stated project is complete, therefore, the loan could come due and payable before the stated date. During 2001, the Village drew \$19,100 of the eligible amount of the loan. No amortization has yet been scheduled for this loan.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT (Continued)

Ohio Water Development Authority Sewer Planning and Design Loan: This loan was approved on June 28, 2001 up to the amount of \$187,600 at 5.65% interest. The loan is set up to be a one-time, balloon payment with the loan amount and interest due and payable on July 1, 2006. However, it is mandatory that a planning loan be repaid as soon as the stated project is complete, therefore, the loan could come due and payable before the stated date. During 2001, the Village drew \$39,572 of the eligible amount of the loan. No amortization has yet been scheduled for this loan.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Water Mortgage	Sewer Mortgage	O.W.D.A. Sewer	E.V.C.I.S.A.
2002	\$ 24,350	\$ 37,650	\$ 23,382	\$ 10,000
2003	23,950	38,150	23,382	5,000
2004	24,550	37,600	23,382	5,000
2005	24,100	38,050	23,382	
2006	24,650	37,450	23,382	
Subsequent	<u>435,650</u>	<u>830,800</u>	<u>163,674</u>	
Total	<u>\$ 557,250</u>	<u>\$ 1,019,700</u>	<u>\$ 280,584</u>	<u>\$ 20,000</u>

Year ending December 31:	Crown Victoria Note	John Deere Backhoe Note	OWDA Sewer Construction Loan	OWDA Water Planning Loan
2002	\$ 6,720	\$ 6,204	\$ 0	\$ 0
2003	6,720	6,204	13,894	0
2004	6,720	6,204	13,894	0
2005		6,204	13,894	0
2006		32,744	13,894	97,187
Subsequent			<u>361,235</u>	
Total	<u>\$ 20,160</u>	<u>\$ 57,560</u>	<u>\$ 416,811</u>	<u>\$ 97,187</u>

Year ending December 31:	OWDA Sewer Planning Loan	Total All Debt
2002	\$ 0	\$ 108,306
2003	0	117,300
2004	0	117,350
2005	0	105,630
2006	243,098	472,405
Subsequent		<u>1,791,359</u>
Total	<u>\$ 243,098</u>	<u>\$ 2,712,350</u>

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries through 2001 and from January 1, 2000 through June 30, 2000. Effective July 1, 2000 through December 31, 2000, PERS temporarily reduced employer contributions to 8.13%. The Village has paid all contributions required through December 31, 2001.

7. RISK POOL MEMBERSHIP

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK POOL MEMBERSHIP (Continued)

Financial Position

According to the latest information available, PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$19,358,458	\$17,112,129
Liabilities	<u>(8,827,588)</u>	<u>(7,715,035)</u>
Retained earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$1,890,323	\$1,575,614
Liabilities	<u>(469,100)</u>	<u>(281,561)</u>
Retained earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>

8. CONTINGENT LIABILITIES

Several claims and lawsuits are pending against the Village. Management intends to vigorously defend these cases. Presently, it is not possible to determine the resolution of these cases or amount of liability, if any.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

9. MATERIAL NONCOMPLIANCE

The Village did not keep records in accordance with Ohio Revised Code, Section 149.351.

The Mayor's Court activity was not properly maintained as required by Ohio Revised Code, Section 733.40. All of the Mayor's Court records were not presented for audit.

The Village Mayor did not keep a docket of Mayor's Court, as required by Ohio law.

The Village did not properly receipt monies into the established funds as required by Ohio Revised Code, Section 5705.10.

The Village failed to accurately maintain the Village's books as required by Ohio Revised Code, Section 733.28.

The Village did not establish adequate water rates to support the Water Fund contrary to Ohio Revised Code, Section 743.18.

VILLAGE OF NEW VIENNA
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

9. MATERIAL NONCOMPLIANCE (Continued)

The Village did not maintain minutes in accordance with Ohio Revised Code, Sections 121.22, 149.43 and 733.27.

The Village received COPS grant funds while having a vacancy in its police department.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of New Vienna
Clinton County
323 West Main Street
New Vienna, Ohio 45159

To the Village Council:

We have audited the accompanying financial statements of the Village of New Vienna, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 18, 2002 which was qualified due to insufficient information from the Village's legal advisor regarding any possible pending litigation, insufficient documentation over the utility receipts recorded as charges for services in the Enterprise Fund Type and the Mayor's Court receipts as recorded in the Agency Fund. Except as noted in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30414-001 through 2001-30414-012. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-30414-001 through 2001-30414-008 and 2001-30414-0013 through 2001-30414-020.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-30414-001 through 2001-30414-008, and 2001-30414-013 through 001-30414-016 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 18, 2002.

This report is intended solely for the information and use of the management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 18, 2002

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30414-001

Non-Compliance Citation/Material Weakness

Ohio Rev. Code, Section 149.351, provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code.

During the audit period, the Village did not provide complete documentation of the following items:

- Adequate utility receipt records;
- Billing stubs for all utility payments;
- Meter readings for January 2000;
- Delinquent, disconnect, and adjustment reports;
- Minutes, ordinances, or resolutions in written form;
- Documentation concerning debt issues;
- Duplicate deposit tickets from Mayor's Court;
- The Mayor's Court list of outstanding fines and forfeitures;
- Mayor's court traffic tickets;
- Mayor's Court bank statements;
- Vouchers and supporting documentation for expenditures;

We were unable to audit the utility receipts or the Mayor's Court receipts or to perform alternative auditing procedures to ensure accountability over the applicable receipts. The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

FINDING NUMBER 2001-30414-002

Non-Compliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.09, states that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Ohio Rev. Code, Section 5705.10, provides that monies paid into any fund shall be used only for the purpose for which such fund is established. The Village did not properly record Intergovernmental monies, Homestead/Rollback monies, Motor Vehicle License Tax monies, Gas Tax receipts, and Proceeds of Notes, Fines, Licenses and Permits in the various funds. Audit adjustments have been posted to the Village's financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the Village.

FINDING NUMBER 2001-30414-003

Non-Compliance Citation/Material Weakness

A Loan Resolution between the Village of New Vienna and the Farmers Home Administration, dated October 12, 1984 states in part that "To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserve." The First Mortgage Water and Sewer Revenue Loans with Farmer's Home Administration requires that reserve funds be established and maintained for these debt issues. Farmer's Home Administration requires that deposits for the Water Revenue Loan be made into the reserve fund at the minimum amount of 1/10th of an annual installment per year for ten (10) years. The Sewer Revenue Loan reserve fund was to be established equal to one (1) annual payment. The Village failed to maintain a reserve fund for either the Water Revenue Loan or the Sewer Revenue Loan.

FINDING NUMBER 2001-30414-004

Non-Compliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.41 (D) states that:

No subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same... has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council, if such expenditure is otherwise valid.

Forty eight percent of the expenditures tested were executed without first obtaining the fiscal officer's certification and did not meet the exceptions provided for in the Code. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending of Village funds.

FINDING NUMBER 2001-30414-005

Non-Compliance Citation/Material Weakness

Ohio Rev. Code, Section 743.18, states that the amount to be paid for water supply shall be raised by the municipal corporation purchasing it, in the manner provided for the payment of the expense of conducting and managing water works constructed wholly by a municipal corporation. The Village had experienced mechanical failure and was unable to produce a potable water supply to the residents of the Village. The Village had to purchase water from Highland Water District to supply water to the Village residents. This situation had caused the Village to pay for an outside source of water. The Village did not charge or collect enough revenue to offset the additional cost of supplying water to the Village residents, as of October 1, 2000, \$50,000 had been transferred from the General Fund to the Water Fund to cover the cost of the water. The officials must review the cost of maintaining and supplying water to the residents and establish rates based on the cost of maintaining the water system.

FINDING NUMBER 2001-30414-006

Non-Compliance Citation/ Material Weakness

Ohio Rev. Code, Section 733.40, required all moneys collected by the mayor shall be paid into the municipal treasury on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury. Payments were not paid into the Village by the first Monday of each month and the Mayor did not submit the required statements to the council each month.

- Mr. Tim Bentz was appointed to fill the Mayor's position on November 16, 1998. The Mayor's Court continued to operate until June 1999 when it was suspended.

As of December 31, 1999, the bank balance in the Mayor's Court bank account was \$4,472. Due to the lack of records, we were unable to determine what portion of this amount should be remitted to outside agencies. The prior audit recommended that the Village consult with their legal counsel to determine how they should distribute the balance of \$4,472. In addition, we recommended that the following procedures be established if the Village elected to reactivate the Mayor's Court:

- The Mayor and Mayor's Court Clerk should review the requirements of the Ohio Revised Code which are applicable to Mayor's Courts, as well as, the Mayor's Court Accounting Manual issued by the Auditor of State's Office to obtain an understanding of a) the legal requirements; b) the documents required to be maintained; and c) how transactions should be recorded;
- All case information should be recorded on the duplicate receipts, in the docket and in the cashbook.
- An open items list should be maintained.
- Deposits should be made within three days of receipt.
- A statement of receipts for the Mayor's Court should be prepared and submitted to Council each month. This statement should be submitted to Council prior to the regular Council meetings so that Council has an opportunity to review the information and ask informed questions.
- Distributions of fines and costs should occur on a monthly basis.
- Bank reconciliations should be performed on a monthly basis. These reconciliations should be submitted to Council prior to the regular Council meetings so that Council has an opportunity to review the information and ask informed questions.

FINDING NUMBER 2001-30414-006
(Continued)

- The amount due to the Village should be disbursed by the Mayor's Court and receipted into the Village's General Fund. The Mayor's Court should disburse the State's portion directly from the Mayor's Court account to the State Treasurer's office.

During the period September 1, 2001 through December 31, 2001, the Village reactivated the Mayor's Court. We noted that bank reconciliations were not performed on a monthly basis. We also noted that the Village received fines and fees from the Mayor's Court, however the amount receipted into the General Fund was the bank balance of the Mayor's Court account. A check was then issued to the applicable agency according to the monthly distributions for September and October, however no distributions were made for November and December. This process caused the receipts and disbursements to be overstated in the General Fund. In addition, the Village made a payment to the Treasurer of the State for fines and fees prior to the Village receiving the money from the Mayor's Court. Adjustments were made to the Village's financial statement to properly reflect the receipts and disbursements from Mayor's Court.

We recommend that the above comments be immediately implemented by the Mayor. Council should also take an active role in overseeing the Mayor's court activity. Implementation of these procedures may add a substantial measure of control to the Mayor's Court, as well as help provide assurance that the fines and fees is properly handled on the Village's ledgers and financial reports.

FINDING NUMBER 2001-30414-007

Non-Compliance Citation/Material Weakness

Ohio Rev. Code, Section 733.28, states that the village clerk should keep the books of the village, exhibit accurate statements of all moneys received and expended, all property owned by the Village and income derived therefrom, and all taxes and assessments. Although the Village Clerk did maintain accounting records, the records contained numerous posting errors. As a result, the records maintained by the Clerk were not an accurate reflection of all moneys received and expended. The audited 2001 and 2000 financial statements include numerous audit adjustments and reclassifications.

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Councils' ability to monitor financial activity, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial statements will be misstated.

We recommend the Clerk accurately maintain the Village's accounting records. In addition, all supporting documentation of receipts should be maintained. For added accountability, we recommend Council review all bank reconciliations and financial reports for accuracy and ensure that all reconciling items are justified.

FINDING NUMBER 2001-30414-008

Non-Compliance Citation/Material Weakness

Pursuant to *White v. Clinton Cty. Bd. of Commrs.*, 76 Ohio St.3d 416 (1996), Ohio Rev. Code Sections 121.22, 149.43 and 733.27 when read together impose a duty on the village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection. *State, ex rel. The Fairfield Leader v. Ricketts*, 56 Ohio St.3d 97 (1990). The following items were noted:

- The Village Council and the Board of Public Affairs did not document a full and accurate record of their proceedings;

FINDING NUMBER 2001-30414-008
(Continued)

- The Village could not provide all minutes, ordinances, or resolutions for the audit period in written form (for Council and Board of Public Affairs meetings);
- BPA minutes were prepared and presented for audit only through August of 2001;
- During 2000, Council minutes were recorded on tape and were not transcribed for all meetings, therefore the Council could not attest to their accuracy of the proceedings;
- Village financial information was not always presented for approval by Council;
- Minutes were not signed by the officials attesting to their accuracy.

As the Council speaks only through its record of proceedings (minutes), the following recommendations were made to ensure that the minutes properly reflect parliamentary procedures and the actions of the council.

- Minutes should be prepared on a timely basis and presented at the subsequent council meeting and approved by Council. All resolutions and ordinances should be numbered and made a part of a permanent record of proceedings;
- All council actions should be indexed under proper headings to provide easy access to all Village resolutions;
- Each topic, resolution, motion, etc. should be sub-headed or identified either in the margin or at the head of each paragraph for easier reading and referencing;
- Minutes should be signed by the Village officials affirming their accuracy;
- Review of the annual financial data, including budgets, appropriations, transfers, required reports, and any advertisements for the same, should be documented as a permanent part of the minute records.

Prompt review of the minutes allows Council the ability to make any necessary changes in a timely fashion. Implementation of these procedures would aid in ensuring that the minute record would be an accurate reflection of the council's actions and would assist in locating specific actions of the council.

FINDING NUMBER 2001-30414-009

Non-Compliance Citation

Ohio Rev. Code, Sections 5705.36 and 5705.39, provide that appropriations shall not exceed the amount of estimated revenue available for expenditure as certified by the budget commission on the official certificate of estimated resources. During 2000, the following budgetary violation was note:

Fund	Appropriations	Certificate of Estimated Resources	Variance
Police Levy Fund	\$ 68,070	\$ 21,008	(\$ 47,062)
Water Fund	\$222,401	\$120,569	(\$101,832)
Sewer Fund	\$373,820	\$283,457	(\$ 90,363)
Water Improvement Fund	\$ 8,712	\$ 4,000	(\$ 4,712)
Enterprise Debt Service Fund	\$ 73,341	\$ 29,050	(\$ 44,291)

FINDING NUMBER 2001-30414-010

Non-Compliance Citation

Ohio Rev. Code, Section 5705.38, states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority desires to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1. During 2000, the Village of New Vienna did not pass an appropriation until August 1st.

FINDING NUMBER 2001-30414-011

Non-Compliance Citation

42 U.S.C. 3796dd-3 states that funds made available to units of local government shall not be used to supplant local funds, but shall be used to increase the amount of funds that would, in the absence of Federal funds received, be made available from local sources.

The Village appears to be in violation of the non-supplanting requirement of the COPS statute. The Village has been implementing the COPS Universal Hiring Program grant while maintaining a full-time vacancy in its locally-funded sworn personnel. The Village filled its COPS Universal Hiring Program full-time sworn officer position with a part-time officer who was employed by the Village prior to the COPS grant award, without filling the resulting part-time vacancies with a newly hired part-time officer. These facts all indicate that the Village is in violation of the non-supplanting requirement and may be required to repay COPS grant funds if it cannot demonstrate that it has taken active and timely steps to fill all locally-funded vacancies while implementing the COPS grant program. The Village received \$15,000 during 2000.

FINDING NUMBER 2001-30414-012

Non-Compliance Citation

Ohio Rev. Code, Section 1905.21 requires the mayor or a mayor's court magistrate shall keep a docket. The mayor shall account for and dispose of all such fines, forfeitures, fees, and costs collected. All monies collected shall be paid by the mayor into the municipality on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury. The Mayor did not follow the established procedures.

FINDING NUMBER 2001-30414-013

Material Weakness

The required debt instruments were on file at the Ohio Water Development Authority for our review, however we noted that the Village did not take the responsibility to maintain most of the documents and reports relating to the Village's debt activity. Instead, the Village's consultant determined the data needed for the completion of these reports.

The Village's involvement in the compliance of debt requirements is a significant control. Without this involvement, the Village could be unaware of outstanding debt owed by the Village. The Village paid their FmHA - First Mortgage Sewer System Revenue Loan and First Mortgage Water Revenue loan on November 5, 2001 after the due date of October 1, 2001 for their October 2001 payment. This late payment resulted in late fees of \$3,393 and \$2,013, respectively, being added to the payment. In addition, we noted that the Village had not paid their Emergency Village Capital Improvement Special Account Loan (EVCISA) of \$5,000 due in 2001, until 2002. (See Finding Number 2001-30414-003)

We recommend the Village establish a list of all debt they have incurred. A tickler file should be maintained to determine when payments are due, interest paid, outstanding principal and the proceeds of any new debt issued. The Village officials should become more aware of their requirements, educate themselves about their debt activity and exhibit more involvement in the process of obtaining debt and the payments of debt. This process should help increase accountability over the Village's debt and will enable the Village to determine that debt activity is properly recorded with timely payments being made to avoid any further late fees assessments.

FINDING NUMBER 2001-30414-014

Material Weakness

Council was not always aware of their appropriate administrative functions such as reviewing monthly financial records, reviewing minutes and reviewing bills. This may create an environment which promotes future fraud or misappropriation of funds.

The following weaknesses were noted:

- Monthly financial reports were not presented to Council;
- The minutes did not include a list of bills approved for payment;
- Invoices contained no indication (e.g. , initials) that someone had performed a comparison between the items included on the invoices and the items received;
- Invoices were not always attached to the voucher packet;
- Vouchers were not maintained in numerical sequence;

FINDING NUMBER 2001-30414-014
(Continued)

- The Village's checks were only signed by the Village Clerk;
- The minutes did not include all significant actions taken by Council;
- Expenditures were posted to improper funds;
- Reimbursements were made by the Village to individuals without proper supporting documentation;
- Late payment fees were paid on several bills.

The lack of timely financial reports and accurate fund balances significantly reduces Council's ability to monitor Village's financial position. In addition, the lack of control over invoices and goods/services received resulted in unauthorized payments, over/under payments or duplicate payments, and unaccounted for checks.

To strengthen the Village's internal control structure and reduce the likelihood of undetected errors, we recommend Village officials and management implement the following controls:

- Monthly financial reports be prepared and submitted to Council. This submission should occur prior to the regular Council meetings so that Council members have an opportunity to review the information and ask informed questions at the Council meetings. Discussion of the monthly financial reports should be documented in the minutes;
- When invoices are received, a comparison should be made between the goods/services included on the invoice and the goods/services received. The official/department head which received the goods should perform this comparison and indicate his/her review by initializing the invoice. The initials indicate the goods/services were received and the invoice is approved for payment. Invoices should be attached to all voucher packets;
- Once invoices have been approved for payment, the Clerk/Treasurer should issue the corresponding check and stamp the invoice "Paid." The invoice should be filed with the voucher packet; and
- Village checks should be signed by the Clerk/Treasurer and one Council member. Prior to signing the checks, the Council member should agree the vendor name and amount on the check to the invoice.
- Vouchers packets should be maintained in numerical sequence;
- Council should ensure that bills be paid on a timely basis to avoid late charges;
- Minutes of Council meetings should be prepared, approved, and available for public inspection in a timely manner. The minutes should also include all actions taken by Council during those meetings.

FINDING NUMBER 2001-30414-015

Material Weakness

There was a lack of consistency in the reports that were generated by the Utility department's computer system. The department should make a listing of the reports that should be run daily, weekly, monthly and yearly. All information for the month should be kept together including meter readings, adjustments, billing report and summary, delinquent account information, disconnects, reconnects, tap fee information, etc. These reports should be printed and retained on a consistent basis. Summary reports should be presented to the BPA and council for their review. Reviewing reports on a regular basis will allow the Village to help monitor the activity of the Utility department. Adjustments should be listed and approved by the BPA Board in the minute record.

Utility stubs were not always marked paid, dated and initialed by the Clerk. This lack of consistent procedures does not provide proper controls over the billing payment cycle. We recommend that utility stubs should be marked paid, dated and initialed by the Clerk receiving payment. This process records that a payment was received, when the payment was received, and who receipted the payment for the Village. These stubs should be divided into batch totals (by day) and compared to the system generated daily deposit report by the Clerk. This will help assure the Village that all payments were properly recorded.

FINDING NUMBER 2001-30414-016

Material Weakness

The Village does not maintain a citation log, resulting in a lack of accountability over the citation process. A large majority of the tickets had been lost or destroyed, therefore we could not determine the completeness of citations issued. Through other auditing procedures, we have determined that approximately thirty one tickets for 2000 and thirty three ticket for 2001 are unaccounted for. To improve accountability over citations, we recommend the Village Police Department maintain a citation log which records all citations issued to officers. This log should include citation numbers and dates issued to officers. Once the citation is issued, the date written, type of offense and defendant's name should be recorded by the officer. Disposition of each case should also be recorded on the citation log. In addition, this log should be kept in a secure place to avoid the possibility of the log being lost or destroyed.

FINDING NUMBER 2001-30414-017

Reportable Condition

During 2001, \$64,182 of the Police Levy Fund expenditures was expended on security of persons and property that was related to the police department, however the Police Levy Fund only receipted \$50,993 during the fiscal year. During 2000, the Village expended \$64,416 on security of persons and property, but only receipted \$47,125 during the fiscal year. As a result, the Village had to transfer in \$50,000 from the General Fund to help defray the cost of maintaining the police department. The Village also appropriated more than its estimated resources for the Police Levy Fund, as described in Finding 2001-30414-004. This violation contributed to the deficiency of receipts under disbursements.

Council should review expenditures more thoroughly and monitor exactly how Village's funds are being expended. They should use their authority to accept or deny expenditures, as they feel appropriate and necessary. They should follow the budgetary requirements of Chapter 5705. If management believes that the above costs are necessary to maintain a police department, they should research the possibility of contracting with the Clinton County Sheriff's Department, if they determine the Village cannot support the current amount of expenditures. The Clinton County Sheriff's Office has provided an estimated contract to the Village Officials to provide services to the Village.

FINDING NUMBER 2001-30414-018

Reportable Condition

There was no supporting documentation maintained for all of the fines and fees received from the Mayor's Court old outstanding fines. Failure to maintain supporting documentation increase the possibility that errors or irregularities could occur and not be detected in a timely manner. To ensure continuing accountability and to strengthen accounting controls, we recommend that all supporting documentation be maintained for all receipts received by the Village officials.

FINDING NUMBER 2001-30414-019

Reportable Condition

The Village did not maintain a payroll journal for each pay period summarizing all time sheet and other payroll information. The payroll journal should reflect the following information for each employee: a) employee name; b) payroll exemptions; c) regular hours worked; d) overtime hours worked; e) leave hours used; f) hourly rate; g) gross wages; h) all payroll deductions; and i) net pay. For each pay period, the columns and rows of the payroll journal should be footed and cross-footed. Each employee's gross pay should equal the sum of their respective net pay plus their deductions. The payroll amounts reflected in the cash journal should then be carried forward to the Village's cash journal and appropriation ledger.

On October 2, 1995, the Village approved the "Wage Guideline Document A " which established wages and benefits for full-time employees. This guideline states that an employee shall receive one week of vacation after one full year of employment. Employees will receive two weeks of vacation after the third year of employment. It also states, in part, that an employee shall receive five (5) sick days per year, and shall be accumulative to ten (10) days. Any days over ten (10) unused will be compensated for at the end of the year. If an employee has any days remaining at the end of employment, they shall be compensated for them. The Village did not maintain leave records for each employee showing hours earned, hours used and leave balances. Contracts, adequate leave records and ordinances establishing sick/vacation leave usage were not maintained by the Village and were not presented for audit.

The lack of individual payroll records and a payroll journal could lead to employees being improperly compensated, improper taxes withheld, and improper reporting of wages and withholdings on quarterly payroll reporting and annual filing of W-2 and 1099 forms.

We recommend the Village maintain a payroll journal and individual payroll records. Specific guidance and examples of these documents can be found in the Auditor of State's "Payroll Procedures Manual," a copy of which can be obtained by contacting the Graphics Department of the Auditor of State's Office.

FINDING NUMBER 2001-30414-020

Reportable Condition

The Village should fully utilize their Mayor's Court computer system for the accounting and computation of receipts and required expenditures, generation of monthly Mayor's Court reports, and tracking and monitoring of the court docket. Lack of system generated calculations and reports allows the possibility for the occurrence of errors, omissions, or fraud without the timely prevention or detection by Village management.

We recommend the Village personnel receive additional training on the use of the Mayor's Court system. Reports should be prepared and reconciled and management should take an active role in monitoring the activity of the Court.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30414-001	Ohio Rev. Code, Section 117.28, Finding for Recovery against Elizabeth Pirman for \$338.01	Partially corrected	As of December 31, 2001, the Village had documented repayment of \$208.01
1999-30414-002	Ohio Rev. Code, Section 5705.09, Monies were not posted to the correct fund. Finding for Adjustments between various funds	No	Reissued as finding 2001-30414-002
1999-30414-003	Ohio Rev. Code, Section 149.351, destruction of records	No	Reissued as finding 2001-30414-001
1999-30414-004	Ohio Rev. Code, Section 733.40 requires the Mayor to pay fines, costs by the first Monday of the following month.	No	Reissued as finding 2001-30414-006
1999-30414-005	Ohio Rev. Code, Section 5705.10 the Village had deficit fund balances in 1998 and 1999	Yes	
1999-30414-006	Ohio Rev. Code, Section 5705.41 (D), expenditures were not properly encumbered or certified.	No	Reissued as finding 2001-30414-003
1999-30414-007	Ohio Rev. Code, Section 5705.39, appropriations exceeded estimated revenue.	No	Reissued as finding 2001-30414-004

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30414-008	42 U.S.C. 3796dd-3 requires the Village to hire a full-time sworn officer for its COPS Universal Hiring Program. Instead the Village filled the position with a part-time officer.	No	Reissued as Finding 2001-30414-010
1999-30414-009	Ohio Rev. Code, Section 5705.41(B), expenditures exceeded appropriations.	Partially correctly	Reissued in the Management Letter
1999-30414-010	Ohio Rev. Code, Section 117.38, the Village did not submit an annual financial statement.	Yes	
1999-304114-011	Ohio Adm. Code, Section 117-5-03, the Village failed to maintain a Water Debt Service Fund and a Sewer Debt Service Fund.	No	Change in Ohio Administrative Code Reissued as Finding 2001-30414-001
1999-30414-012	Ohio Rev. Code, Section 121.22, 149.43 and 733.27, the Village did not maintain a full and accurate record of their proceedings.	No	Reissued as Finding 2001-30414-009
1999-30414-013	Ohio Adm. Code, Rule 117-5-07, through 117-05-13, the Village did not maintain the required journals.	Yes	

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30414-014	Ohio Rev. Code, Section 743.18, the Village did not charge utility rates to cover the cost of maintaining the water fund.	No	Reissued as Finding 2001-30414-008
1999-30414-015	The Utility Department did not maintain ledgers and registers; deposits and receipts were not reconciled; tap-in fees were posted to the wrong line item.	Partially corrected	Reissued as Finding 2001-30414-001
1999-34014-016	The Utility Department's software system was not secure.	Yes	
1999-34014-017	The Village had very little or no internal controls in place.	No	Reissued as Finding 2001-30414-016
1999-34014-018	The Village did not maintain payroll journal, individual payroll records, or leave records.	No	Reissued as Finding 2001-30414-013
1999-30414-019	Disbursements were improperly posted to the funds.	Partially Corrected	Reissued in Management Letter.



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF NEW VIENNA

CLINTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 11, 2002**